

Message Text

CONFIDENTIAL

PAGE 01 BONN 16435 01 OF 02 071628Z

43

ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03 LAB-04

SIL-01 L-03 H-02 PA-01 PRS-01 /087 W

----- 020756

R 071618Z OCT 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 3440

INFO AMEMBASSY BERN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY VIENNA

USMISSION EC BRUSSELS

USMISSION OECD PARIS

C O N F I D E N T I A L SECTION 01 OF 02 BONN 16435

DEPARTMENT PASS TREASURY FOR SYVRUD

E.O. 11652: GDS

TAGS: EFIN, GW

SUBJECT: GERMAN GNP DEVELOPMENTS

1. SUMMARY. THE GERMAN ECONOMY IS STILL NOT SHOWING ANY SIGNS OF AN UPSWING. WE BELIEVE THAT THE UPSWING WILL NOW COME SOMEWHAT LATER AND BE EVEN MORE GRADUAL THAN THE GOVERNMENT PROJECTS. FOR 1975 WE FORESEE A DECLINE IN REAL GNP OF ABOUT 4.4 PERCENT AND FOR 1976 AN INCREASE OF ONLY ABOUT 3.5 PERCENT INSTEAD OF THE 4.5 - 5.0 PERCENT PROJECTED BY THE GERMAN GOVERNMENT.

END SUMMARY.

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 BONN 16435 01 OF 02 071628Z

2. THERE STILL ARE NO SIGNS OF AN ECONOMIC UPSWING IN THE FEDERAL REPUBLIC. WHILE THIRD QUARTER GNP DATA ARE NOT YET AVAILABLE, IT DOES NOT SEEM LIKELY THAT THE QUARTER WILL SHOW ANY SIGNIFICANT GROWTH OVER THE SECOND QUARTER. IF THE THIRD QUARTER IN FACT TURNS OUT TO HAVE BEEN FLAT, FOURTH QUARTER GNP WOULD HAVE TO GROW BY 2 PERCENT IN VOLUME OVER THE THIRD QUARTER (ON A BUNDES BANK SEASONAL ADJUSTED BASIS) IF THE 1975 LOSS IN REAL GNP IS TO BE HELD TO THE MINUS 4.0 PERCENT BELOW 1974 THAT THE GOVERNMENT IS NOW PROJECTING. UNLESS SIGNIFICANT RECOVERY STARTS IN THE FOURTH QUARTER OF THIS YEAR, IT ALSO SEEMS UNLIKELY THAT 1976 REAL GNP WILL REACH THE PLUS 4.5 - 5.0 PERCENT GROWTH RATE CURRENTLY OFFICIALLY PROJECTED BY THE GOVERNMENT.

3. WITH THE ECONOMY CONTINUING TO OPERATE SIGNIFICANTLY BELOW CAPACITY, NO SIZABLE INCREASE IN FIXED PRIVATE NON-CONSTRUCTION INVESTMENT CAN BE EXPECTED EITHER DURING THE FOURTH QUARTER OF 1975 OR DURING MOST OF 1976. THE FEDERAL GOVERNMENT'S AUSTERITY PROGRAM AND FINANCING PROBLEMS OF LOWER LEVELS OF GOVERNMENT WILL LIMIT THE EXPANSION OF BOTH GOVERNMENT CONSUMPTION AND INVESTMENT EXPENDITURES. CONSTRUCTION EXPENDITURES ARE LIKELY TO BE MAINTAINED THROUGH THE GOVERNMENT'S SPECIAL DM 5.75 BILLION PROGRAM WHICH COULD BE SUPPLEMENTED BY ADDITIONAL PROGRAMS IN THE SPRING IF IT SHOULD BECOME APPARENT BY THAT TIME THAT THE ECONOMY IS FAILING TO PICK UP, BUT THE EFFECT OF SUCH ADDITIONAL PROGRAMS DURING 1976 WOULD BE LIMITED.

4. THIS MEANS THAT 1976 ECONOMIC GROWTH MUST COME MAINLY FROM PRIVATE CONSUMPTION, EXPORTS AND INVENTORIES. THERE ARE CHANCES FOR GROWTH IN EACH OF THESE FIELDS. INVENTORIES ARE REPORTEDLY AT A VERY LOW LEVEL. EXPORTS SHOULD BE HELPED--BUT ALSO ARE LIMITED--BY RECOVERY ABROAD. THE SAVINGS RATIO IS ABNORMALLY HIGH AT PRESENT AND MIGHT BEGIN TO RETURN TO MORE NORMAL LEVELS. ON THE OTHER HAND IF EMPLOYERS AND THE

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 BONN 16435 01 OF 02 071628Z

GOVERNMENT HAVE THEIR WAY, WAGES ARE NOT GOING TO INCREASE SIGNIFICANTLY IN REAL TERMS.

5. UNDER THESE CIRCUMSTANCES WE THINK THAT ON BALANCE IT IS UNLIKELY THAT 1976 WILL SEE THE DEGREE OF CONSUMER AND BUSINESS CONFIDENCE NECESSARY TO ACHIEVE THE GOVERNMENT'S GROWTH PROJECTION. ON STILL RELATIVE OPTIMISTIC ASSUMPTIONS, WE INSTEAD BELIEVE THAT GERMAN

GNP WILL DEVELOP SOMEWHAT MORE ALONG THE FOLLOWING
LINES:

TABLE A

GERMAN GNP

(PERCENTAGE CHANGES FROM PREVIOUS YEAR,
SEASONALLY ADJUSTED, CONSTANT 1962 PRICES)

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 BONN 16435 02 OF 02 071630Z

43

ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03 LAB-04

SIL-01 L-03 H-02 PA-01 PRS-01 /087 W

----- 020776

R 071618Z OCT 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 3441

INFO AMEMBASSY BERN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY VIENNA

USMISSION EC BRUSSELS

USMISSION OECD PARIS

C O N F I D E N T I A L SECTION 02 OF 02 BONN 16435

1975 1976

| | | |
|-----------------------------|-------|-----|
| (A) PRIVATE CONSUMPTION | 1.9 | 2.4 |
| (B) GOVERNMENT CONSUMPTION | 2.5 | 1.7 |
| (C) INVESTMENT IN EQUIPMENT | | |
| (PUBLIC AND PRIVATE) | -5.1 | 2.6 |
| (D) CONSTRUCTION | -11.2 | 3.4 |
| (E) EXPORTS | -9.7 | 4.6 |
| (F) IMPORTS | 0.1 | 3.6 |
| ----- | | |
| (G) REAL GNP | -4.4 | 3.5 |

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 BONN 16435 02 OF 02 071630Z

| | | |
|-----------------------------|-------|-------|
| (H) (GNP DEFLATOR | (8.4) | (4.5) |
| (I) (GNP IN CURRENT PRICES) | (4.0) | (8.0) |

6. AS TABLE B BELOW INDICATES, OUR PROJECTION ASSUMES
THAT THE RECOVERY WILL BE GRADUAL SLOWLY PICKING UP IN
SPEED TOWARD THE END OF PERIOD.

TABLE B

GERMAN GNP

(PERCENTAGE CHANGE FROM PREVIOUS HALF YEAR,
SEASONALLY ADJUSTED, CONSTANT 1962 PRICES)

1975 1976
2ND HALF 1ST HALF 2ND HALF

| | | | |
|-------------------------|------|-----|------|
| PRIVATE CONSUMPTION | 0.3 | 1.4 | 2.0 |
| GOVERNMENT CONSUMPTION | 1.4 | 1.3 | -0.6 |
| INVESTMENT IN EQUIPMENT | 1.2 | 1.2 | 1.4 |
| CONSTRUCTION | -1.6 | 3.2 | 1.9 |
| EXPORTS | 0.9 | 1.7 | 4.8 |
| IMPORTS | 2.8 | 1.2 | 2.0 |
| ----- | | | |
| REAL GNP | 0.2 | 1.8 | 3.2 |

7. IMPLICIT IN OUR PROJECTION ARE THE FOLLOWING BALANCE
OF PAYMENTS PROJECTIONS (AT CURRENT PRICES).

TABLE C

GERMAN BALANCE OF PAYMENTS
(DM BILLIONS)

1975 1976

| | | |
|---------|-----|-----|
| EXPORTS | 215 | 237 |
|---------|-----|-----|

IMPORTS 183 206

TRADE BALANCE 32 31

SERVICES -12 -15

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 BONN 16435 02 OF 02 071630Z

UNILATERAL TRANSFERS -18 -18

CURRENT ACCOUNT BALANCE 2 -2

8. MORE DETAIL ON THE ABOVE GNP AND BALANCE OF PAYMENTS PROJECTIONS WILL BE SUBMITTED BY AIRGRAM.
HILLENBRAND

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptoning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, GNP, ECONOMIC REPORTS, ECONOMIC ESTIMATES
Control Number: n/a
Copy: SINGLE
Draft Date: 07 OCT 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CunninFX
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975BONN16435
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750347-1199
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19751075/aaaacpel.tel
Line Count: 240
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
Review Content Flags:
Review Date: 03 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <03 APR 2003 by SmithRJ>; APPROVED <06 OCT 2003 by CunninFX>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GERMAN GNP DEVELOPMENTS
TAGS: EFIN, GE
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006